

## **SERBIA**



**Serbia** U.S. assistance supports the goal of a fully democratic and prosperous Serbia, stable internally and contributing to the peaceful development of the region. The focus of U.S. programs is to support mutually reinforcing economic, democratic, and security sector reforms, and in doing so help keep Serbia on track toward membership in Euro-Atlantic institutions, particularly in the wake of Kosovo's emergence as an independent state. While a government committed to European integration was elected in 2008, hard work is needed to overcome past ethnic divisions and economic decline and to build good relationships with neighbors. Given Serbia's still-developing democracy, increased funding would be used to strengthen the rule of law and civil society. Progress toward long-term recovery and reconciliation within and among the states of the region requires a comprehensive approach to assisting with Serbia's reforms, with special attention to vulnerable groups and the multi-ethnic areas of Sandzak, Vojvodina, and Southern Serbia.

**FOREIGN RELATIONS:** From the breakup of the Socialist Republic of Yugoslavia in 1989, the foreign policy of the F.R.Y. was characterized primarily by a desire to secure its political and geopolitical position and the solidarity of ethnic Serbs in the Balkan region through a strong nationalist campaign. The F.R.Y. supported and exploited the expansion of violent conflicts--in Bosnia and Herzegovina, Croatia, and Kosovo--in order to advance its policies. However, in 2002, the F.R.Y. resolved its longstanding border dispute with Macedonia and established full diplomatic relations with its neighbor and former adversary Croatia.

Also in 2002, the F.R.Y. Government established a commission to coordinate cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) and began serving warrants for the arrest of persons indicted for war crimes who sought refuge in the country. The crackdown on organized crime following the assassination of Serbian Prime Minister Djindjic also resulted in the apprehension and transfer to The Hague of several persons indicted for war crimes. In 2004 and 2005, a significant number of ICTY indictees surrendered to the tribunal. In 2007, Serbia assisted in the arrest of two of the remaining six persons indicted for war crimes, Zdravko Tolimir and Vlastimir Djordjevic, and in 2008 the government arrested and extradited Stojan Zupljanin and Radovan Karadzic. Bosnian Serb General Ratko Mladic and Croatian Serb political leader Goran Hadzic remain at large, but the government has indicated its intention to apprehend these individuals. Serbia's ICTY obligations will not be fully met until Mladic and Hadzic are in The Hague.

Immediately preceding the NATO bombing campaign of the F.R.Y. in March 1999, the U.S. and most European countries severed relations with Belgrade, and the U.S. Embassy was closed. After October 5, 2000, foreign embassies, including that of the U.S., reopened and Serbia, as the successor state to the F.R.Y., regained its seat in such international organizations as the Organization for Security and Cooperation in Europe (OSCE) and the UN, and is actively participating in International Monetary Fund (IMF) and World Bank projects. In 2003, Serbia was admitted to the Council of Europe and in 2006 joined NATO's Partnership for Peace. Serbia has also indicated its desire to join the European Union (EU). The EU has made full ICTY cooperation a prerequisite for increased cooperation with Serbia.

Serbia and the EU signed a Stabilization and Association Agreement (SAA)--the first step toward eventual accession--in April 2008, but the EU immediately froze the related Interim Trade Agreement pending full cooperation with the ICTY.

Serbia's bilateral relationship with many countries was chilled following Kosovo's independence in February 2008. In the days following Kosovo's independence, rioters in Belgrade attacked the embassies of several countries, including the United States, causing severe property damage. Serbia recalled its ambassadors for consultations from all countries that formally recognized Kosovo. Serbia returned its ambassadors to EU countries in July 2008 and to the remaining countries in October 2008. Serbia adopted a policy of expelling the ambassadors of countries that recognized Kosovo after the UN General Assembly's October 2008 approval of a resolution referring the legality of Kosovo's declaration of independence to the International Court of Justice. Subsequently, Serbia expelled the ambassadors of neighboring Montenegro and Macedonia as well as the ambassadors of Malaysia and the U.A.E. Macedonia has since appointed a new ambassador to Serbia. Aside from Kosovo, Belgrade has made efforts to improve relations with its regional neighbors.

**U.S.-SERBIA RELATIONS:** After severing diplomatic relations in March 1999, the U.S. Embassy formally reopened in May 2001. The Serbian Embassy in Washington and the U.S. Embassy in Belgrade have reestablished bilateral relations and provide a full range of consular services. Serbia currently enjoys stable diplomatic relations with all of its neighbors except Kosovo. Serbia withdrew its ambassador to Washington from February to October 2008 in protest of U.S. recognition of Kosovo's independence. Vice President Joseph Biden visited Serbia in May 2009 and met with President Tadic, Prime Minister Cvetkovic, and Defense Minister Sutanovac. Vice President Biden's visit was the highest-level U.S. visit to Serbia since Vice President George H.W. Bush's visit in September 1983 and signaled a renewed interest in energizing U.S.-Serbia relations.

**Peace and Security:** An increase in funding will help to improve the capacity of Serbia's security services to counter illicit trafficking of conventional weapons and institute safeguards to help control and counter weapons proliferation. U.S. assistance will contribute to military reorganization and training while also helping Serbia to reprioritize its security posture, emphasizing protection of its borders and tasks such as disaster preparedness and international peacekeeping. U.S. security assistance will also encourage greater engagement with NATO and facilitate participation in the NATO Partnership for Peace (PfP) program, including through professional military education and exchanges as well as English language training. Funding will also build law enforcement capacity to fight organized crime and corruption. It is expected that this assistance will be implemented by the Departments of State and Defense.

**Governing Justly and Democratically:** Following Kosovo's emergence as an independent state, increased funding is requested to strengthen Serbia's democratic institutions and accelerate progress on reform. U.S. assistance will support programs to strengthen the rule of law and the justice sector, fight corruption, hold public officials more accountable, foster independent media, and increase the participation of ordinary citizens in the local decision-making process. U.S. assistance will also continue to focus on improving the administration and transparency of the courts and parliament, and improve functions and capabilities to prosecute crimes, including organized crime and war crimes. An increase in funding for innovative youth exchange programs will continue to provide Serbians of all backgrounds exposure to democratic U.S. practices and systems. This assistance will be implemented by a number of agencies, including the U.S. Agency for International Development (USAID) and the Department of State.

**Investing in People:** U.S. assistance through the Department of State will support programming to build the capacity of the Serbian educational system in English language instruction and student advising.

Among the benefits will be to facilitate study abroad for the youth of Serbia, particularly in the United States.

**Focus on Performance:** The State Department's Export Control and Related Border Security (EXBS) assistance program will be expanded to help Serbia to combat Weapons of Mass Destruction (WMD) by providing additional training, equipment and support to enhance its strategic trade control system and border control capabilities. This assistance will help prevent the proliferation of WMD, related materials, delivery systems, dual use items and conventional weapons across Serbia's borders. The new Separation of Powers program under this program area started in FY 2008. The mission has developed a custom indicator – "Score on Good Governance Matrix" – to measure how close specific national and/or local public institutions are to reaching a set of legal and accountability standards. These standards are articulated in five statements, one for each standard dimension of good governance. The matrix allows comparisons based on multiple criteria, including: (i) aggregates for different government branches; (ii) aggregates for central vs. local level institutions; (iii) individual institution vs. average. The Mission is reviewing the recent draft report for scores pertaining to CY2006, the baseline year for the matrix. The FY2008 Target is 0 as the program has just started. This custom indicator will be used to track overall progress toward the shared, long-term objective of strengthening governance in Serbia and will be reported against in future years. In addition to this indicator, the U.S. tracks shorter term, annual indicators for U.S. funded programs that contribute to this broader objective. One such indicator which is representative of efforts underway to improve governance and rule of law is highlighted above. During FY2009 120 individuals will be trained with U.S. resources. The increased funding in FY2010 will allow USAID to work more broadly on judicial reform through increased participation of judicial officials at the national and local levels. The same custom indicator discussed under the program area rule of law and human rights to track longer term improvements in governance will also be tracked for this program area. A representative annual indicator that is illustrative of the work being done in good governance and contributes to overall improvement in governance is provided above. During FY2009 110 individuals will be trained with U.S. resources. The increased funding in FY2010 will allow USAID to work more broadly on judicial reform through increased participation of judicial officials at the national and local levels. A new civil society/anti-corruption activity will be launched during FY 2010 to increase the number of civil society and non-governmental organizations advocating for increased transparency and accountability. Funds will provide targeted technical assistance and capacity building to select civil society organizations. During FY 2010 USAID will launch a new economic policy program to increase the capacity of the Serbian Government to improve the business environment, increase investor confidence and strengthen the financial sector. Earlier projected targets set under the current program were low which requires a modification of the Performance Monitoring Plan for the programs that contribute to this indicator. However, USAID manages three activities that contribute to this target. One activity ended in FY 2008 and the other two activities will end in FY 2010. The FY 2010 target is an estimated target until USAID conducts an assessment and designs a new approach which may very well result in revised indicators and targets for this new program.

**Economic Growth:** Serbia has made important progress in economic reforms, but in order ultimately to realize its goals of European Union membership it must step up the pace of reforms in a number of areas, such as improving competition policy, reducing external debt, decreasing its large trade deficit, cutting bureaucratic red tape, and moving forward with privatization. The remnants of non-performing state-owned enterprises distort overall economic performance. Though economic growth assistance will decline somewhat in keeping with changing needs and priorities, U.S.-funded programs will continue to improve the climate for investment and growth by promoting reform of financial and business sector environments. These programs will work in tandem with measures to elevate private sector productivity, including in agriculture. While strengthening financial markets and raising microenterprise productivity, U.S. assistance will increase economic opportunities in vulnerable areas and address core issues of job creation and social inclusion, thereby reducing the risk of instability and conflict. It is expected that this

assistance will be implemented by a number of agencies, including USAID and the Departments of State and Agriculture.